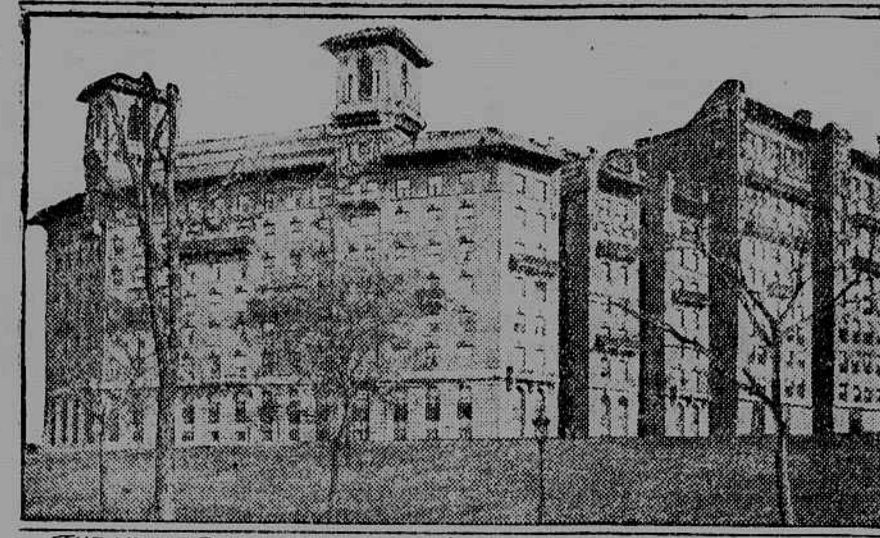
Apartments Which Figured in 1919's Great Buying Movement

12 STORY APARTMENT AT 405 PARK AVE. CORNER OF 54TH ST.

HOTEL MAJESTIC, CENTRAL PARK WEST at 72ND ST.



THE HENDRICK HUDSON and THE HENDRICK HUDSON ANNEX, RIVERSIDE DRIVE at 110TH ST.

SOUTHEAST CORNER OF PARK AVE. and 78TH ST.

Additional Subways Are Already a Public Necessity

New Transit Lines Are Overcrowded and More Carriers Are Essential; $100,000,000 Would Be Cost of Immediate Travel Needs of City

By Lewis Nixon

Public Service Commissioner

The Tribune has asked me to prepare a statement on the transit situation in New York City. In normal times I would welcome the opportunity, but at present the outlook is anything but promising, and the future cannot be forecast with any degree of certainty. All agree that present conditions are intolerable. There must be a change, and that in the near future, if the transit systems of the American metropolis are to continue to function and expand in a manner commensurate with the demands of rapidly increasing traffic.

At the outset, let me say that the Public Service Commission now has nothing to do with the construction of new subways or the completion of those under construction. Under the new law that duty vests in the Transit Construction Commissioner, John H. Delaney, who is pushing vigorously the completion of the remaining links in the dual system. The Public Service Commission retains only its regulatory functions, and among these is the power to investigate rates of fare and to order such changes as are necessary. The exercise of this power, however, is not exclusive; that is, the commission under the law and the decisions of the courts cannot at present order changes in fares where the same are fixed by contract with the municipality or in franchises granted by the municipality and based upon constitutional consents. Therefore, without the consent of the city authorities, the Public Service Commission is powerless to do more than point out the relief which should be granted in the present abnormal situation. These conditions should be changed. If the state is to maintain a regulatory commission with power over rates, that commission should be given full power to fix such rates as will pay for service rendered. If this is not done, then the municipality itself should be given plenary power of control.

New Subways Already Crowded

Traffic is increasing greatly every year and the new subways are already crowded. During the holiday rush this year the Interborough Rapid Transit Company frequently carried more than 2,000,000 passengers a day in the East Side and West Side subways. The crowding incident to the travel prefigures the early saturation of present subway facilities. When the saturation point is reached new rapid transit lines will be required. It is not too early now for the proper authorities to begin planning for the construction of a new north and south subway line in Manhattan and the Bronx, a new tunnel line under the East River to relieve the crowded conditions on the subway and elevated lines of the New York Consolidated Railroad Company, and a rapid transit line to Richmond, the only borough now without rapid transit facilities. The provision of such new lines will demand the expenditure of probably $100,000,000. Steps should be taken at once by the city and by the operating companies to make it possible to raise these funds when they are required.

Higher Fare for I. R. T.

The Interborough Rapid Transit Company, which operates the city subway lines in Manhattan, the Bronx, Brooklyn and Queens, as well as the privately owned elevated lines in Manhattan and the Bronx, is under a great financial strain. Increasing operating costs due to conditions brought about by the war, including high wages and high prices of materials, have strained the resources of the company to the breaking point. For some months the company has been faced with the probability of a receivership, unless relief is provided. This relief might come from an increased fare to be charged only as long as the present emergency lasts. Certainly it would be better for the community to pay a little more for transportation during a temporary period than to have the useful service of this company crippled to an extent that would seriously interfere with the industrial life of the city. Fares should be fixed on a sliding scale, so that they can be reduced when cost of service falls and increased when it rises. If the Public Service Commission had power to establish such a sliding scale, the community would be assured of continuous service and the companies of sufficient revenue to maintain full operation.

I have been trying to bring about a modification of the contracts which would permit the establishment of such a sliding scale of fares on the condition that the operating companies would make corresponding concessions to the city. So far it has been impossible to bring about an agreement between the city authorities and the companies for such a modification, but the matter is still under consideration, and I have hopes that something eventually will be accomplished along these lines.

Aside from the consideration of needed additional revenue for the operating companies, there is a pressing need for a modification of these contracts, so as to lessen the financial burden upon the City of New York. As is well known, the contracts provide for the deduction from revenue of certain items of expense in a certain order. The payment of interest upon the bonds issued by the city for the construction of the subways is so far down in the list of deductions from revenue that the earnings up to the present are not sufficient to provide for all such payments. Under the terms of the contracts the deficits must be paid by the city out of the tax levies. This has imposed a burden of about $8,000,000 a year upon the city treasury, and this will be increased to $10,000,000 when the whole system is in operation.

Deficit Would Be Taxation

With a revision of the terms of the contracts along the lines suggested it is possible that a readjustment of the order of payments from revenue would place the city in a much more favorable position. The contracts were signed in March, 1913, and they cover a period of forty-nine years from the beginning of initial operation, which took place in 1918. If a deficit of $10,000,000 a year should continue the city would be required to pay out of its taxes a total of $480,000,000 during the life of the contracts. It is probable, however, that increasing traffic will reduce the deficits as the years go by. Nevertheless, the situation is sufficiently serious to require close attention by the city authorities. At the present time, when the companies are seeking relief, the city is in a position to demand substantial concessions in this regard.

When we look back over the last year and the period of the war it is a cause for congratulation that New York City has suffered so little in its transportation facilities by reason of the abnormal conditions. With very few interruptions, the rapid transit service and the service of the street surface car lines have been maintained, and this without any general increase in fares.

It is true, however, that the Brooklyn Rapid Transit system and the New York Railways system have gone into the hands of receivers and a reorganization in each case is inevitable. The receivers have been working against tremendous odds to continue the operation of their lines, but the inevitable has happened and the systems are disintegrating. Different lines operated under leases as parts of the systems have been separated therefrom by orders of the courts. This has resulted in inconvenience and additional expense to the traveling public. Further separations are contemplated and unless a solution is found, the systems which were united will be dissolved into their component parts. That would mean the operation of different lines by different companies, each charging a five-cent fare, which would add greatly to the general inconvenience.

The outlook, then, is uncertain. I shall continue to work further for a solution of the problem and shall welcome the advice and assistance of the city authorities, the Transit Construction Commissioner and all other public spirited citizens.

Camp Well Known to New York Boys Leased

The property known as the Blue Ridge Camp, where for twenty years thousands of New York City boys have spent their summers, and the College Inn, both owned by the Rev. Dr. David Davidson, of this city, have been leased for two years, at $4,500 a year, with the option of purchase. Both of these properties are located at Coolbaugh, Pa., between Stroudsburg and Bushkill.

The new lessees are the White Brothers, of Boston, Mass., owners of the West Shore House, White Lake, N. Y. Arthur Meyer, of the Farm Finder Agency, was the broker.

Scarcity of Mortgage Money Not Due to System, But to Economic Conditions Which Affect Source

By John J. Pulleyn

President Emigrant Industrial Savings Bank, Chairman Committee on Amortization of Mortgage Loans, Savings Bank Section, American Bankers' Association.

Our American system of mortgage finance, based upon real estate security, is sometimes declared to be archaic, and of late we have frequently heard the opinion that it is "inadequate," or even that it has been "broken down" under the stress of war conditions.

There may be some difference of opinion on this point among borrowers, lenders, real estate middlemen and theorists.

Nevertheless, the actual facts and our recent war tests proved it to be remarkably efficient in meeting the requirements of land tenure and real estate development in America. In fact, those of widest experience with real estate mortgages appear unanimous in regarding with some suspicion any scheme for reform which is argued from the assumption of the present inadequacy. These bankers find that no security other than mortgages secured by real estate have so firmly maintained their parity in the public opinion. During the war period investors were ready to sell all other securities at a discount before they sacrificed on their mortgage investments. While this viewpoint has its disadvantages, when we consider occasional need for liquidity of such investments this evidence of high popular regard should not be overlooked—in fact, it should be capitalized.

This appears to be a popular time to remind all concerned that the present shifting in values, rents and interest rates are only incidents to placing realty on a sound economic basis. We must not allow the occasional case of profiteering in rents to prompt measures that will make ownership unprofitable and undesirable and so prevent an ample flow of capital into new construction.

Cautions Against Superficial Thought

The theorist who forms the opinion that our mortgage methods are unsystematic, and even without uniformity, doubtless has in mind the picture of great bond issues more or less serial in their form, such as result from the adoption of special projects by states or perhaps those being issued under the Federal farm loan act.

The worship of standardization is quite in harmony with the general trend of thought by those people who regard human nature and political organizations as now in a plastic condition as the result of the war and available for such experiments as their own limited ability might lead them to undertake.

"Uniformity" in mortgage securities and in methods of real estate finance has been preached for many years, but definite steps to accomplish this uniformity in any broad way have only been seriously proposed within the past few years.

Thus, the first accomplishment of these mortgage standardizers was the enactment in 1914 of the law to charter the Land Bank of the State of New York. This act, which was both unscientific and, perhaps, unconstitutional, was enacted as the result of the then current agitation for a rural credit system. Much was heard about the value of easier rural credit, but, as a matter of fact, the membership in the New York bank is limited to building and loan associations which have comparatively little interest in agricultural property. The results of this experiment and legislation may or may not be regarded as favorable, for the bank has only issued about $700,000 worth of bonds, of which one-half were purchased by four savings banks, and it is rumored that the balance is still held by the underwriting trust company.

Tax Exemption Proposal

The Land Bank of the State of New York does not enjoy tax exemption for its securities, and in view of present tax burdens and the recent adoption by both state and nation of the principle of direct taxation according to ability to pay the Land Bank bonds should not now be made a source of personal exemption. The reason for its inactivity under war conditions is explained by the fact that it cannot sell its bonds at a price which will enable it to rediscount the mortgages held by its member associations to their financial advantage.

The above point of tax exemption is again met in the bill now pending in Congress, the so-called Calder-Nolan bill, to establish a chain of Federal home loan banks, the stock of which is to be held by any of the many varieties of building and loan associations which should invest at least 5 per cent of their rediscounts in the stock of the bank. The proponents of that bill start with the assumption that the present market for mortgages is entirely inadequate, and that it can be supplied only by funds which are to enjoy the same degree of tax exemption under all Federal and state laws as is now accorded by the Federal farm loan act. Furthermore, although they argue that the main purpose of the bill is to encourage the construction of dwellings, we note that there is no provision in the bill which requires that the proceeds of the tax exempt bonds shall be invested in housing or anything pertaining thereto.

As a matter of fact, [illegible]

Capitalists, Banks and Co-operative Institutions Have Limitations; Government's Propaganda Has Attracted Money to Federal Securities; Philanthropy Is Not a Business Precept

comparative uniformity in mortgage conditions throughout the country. Mere difference of names does not indicate chaos of system. To establish this we may note that whatever the form of the mortgage or other conditional conveyance, nothing short of an absolute deed will obviate the necessity for foreclosure if any equity is claimed by the borrower. The principles and procedure in real estate mortgage loans are remarkably uniform throughout the English speaking world.

Complaints evidently arise not because of real defects in the distinctively American mortgage system, but from efforts to obtain special legislation because of the present low ebb of funds to be obtained through accustomed channels.

A careful study of the situation might reveal a need for revising the methods of tapping the great sources of supply and means for distributing mortgage investments to the public quite as much as to warrant jumping to the conclusion that there is something radically wrong with the owners and managers of the funds available for long-term mortgage investment.

Sources of Mortgage Money

Mortgage funds are obtained either from (1) capitalists, or (2) by co-operative credit, or (3) from bankers. Each of these sources has its limitations, and there are distinct economic conditions which affect all.

Capitalists, the first source, sell their funds on the best terms which can be obtained, regard being given to both present and prospective net return, and to the equality of the security offered.

"The effect of the importance of the net return upon capital brings to mind the present supply of governmental securities. Money lenders are able to secure a return of 5 per cent or better through the purchase of certain issues of Liberty bonds and still enjoy a prospective profit which those securities will surely bring upon resale before maturity. This one fact has taken out of the market for mortgage loans billions of money ordinarily available for mortgage loans.

Cooperative credit institutions, the second class, have loans of $2,000,000,000 on mortgage securities. The borrowers are not persons of established credit rating, but the system provides for a fair amount of proof of thrift and honesty and for a rapid and easy amortization of loans, thus giving protection against any absence of the usual banking safeguards. The success of these institutions has been remarkable, especially in the older settled parts of the country. However, we cannot all agree with the enthusiastic claims of those who claim the milenium will result from a mere copying in America of the methods which have been developed under the lower economic standard of countries just emerging from feudal systems of land tenure or forced to care for a peasant type of people.

The banks, and especially those which handle the savings of our millions of smaller capitalists, including the wage earners, have about $5,000,000,000 or even a greater amount loaned on mortgage security. They have found this type of security better adapted to the dividend requirements of their depositors than loans on real estate. They have found that such loans furnish such a degree of security and certainty of liquidation that their dividends can be maintained at or above the rates usually paid upon government bonds.

But it must be remembered that deposits in savings banks practically rest upon a demand basis. Therefore, the managers of savings banks must limit their investments in mortgages to such a proportion of their assets as will enable them at all times to meet the requests of depositors and at the same time have their funds earn the largest amount compatible with safety. Savings bankers are trustees, not speculators.

While savings bankers are especially charged with the promotion of thrift and the encouragement of small but systematic deposits, their work is never to be regarded as charitable or philanthropic.

Mortgage Loans from Banks

Efforts have been made since the armistice to obtain pledges from savings bankers as to the amount of mortgage loans which they will take. It has even been represented that such loans should be restricted to new construction. Such efforts are fostered by those who desire a sudden expansion in building activity.

The fact that bankers decline to make any such pledge in excess of the normal course of their business is to be noted as a credit to the idea of savings banking rather than otherwise. Their attitude cannot properly be considered as indicating the inadequacy of a system.

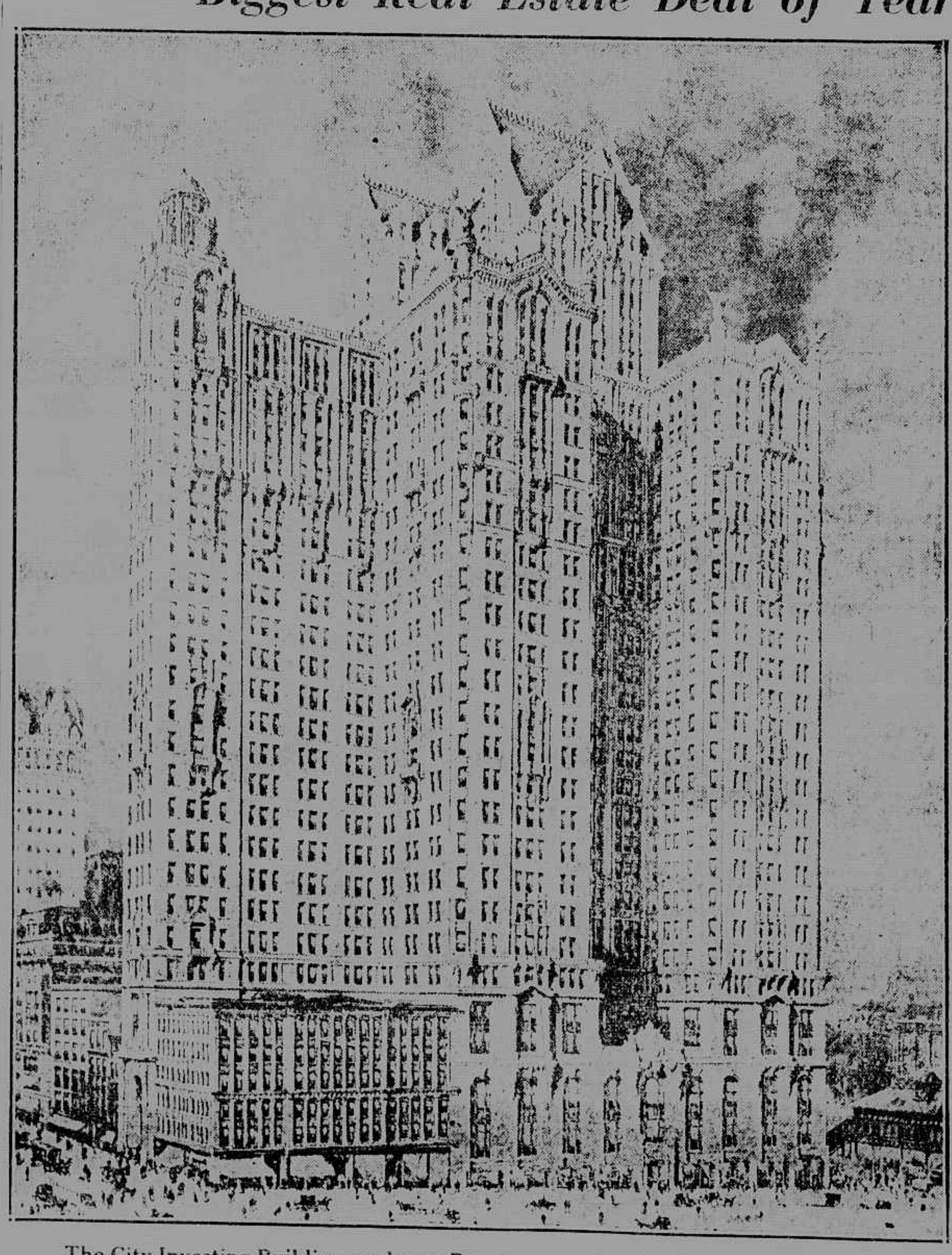
Any inadequacy which exists in this connection is to be charged directly to the much discussed and often proved tendency of the great mass of the people to spend their inflated earnings rather than to save them for the purchase of homes, for future investment or to provide for the proverbial rainy day.

Also it is not for investors, or especially for savings bankers, to carry the risk involved in new construction as it exists to-day. While we appreciate the present increased costs of materials and labor and that high prices must continue, there are inherent difficulties in arriving at any fair appraisal of contemplated improvement, and we must also analyze the probability of rental returns and as to how long the present artificial rent scale may continue.

Builder Aims to Shift Responsibility

The speculative or investment builders almost invariably attempt to shift the entire responsibility for these risks to the prospective mortgagor—and the so-called housing companies of semi-philanthropic aspect, but which operate upon a net interest basis, often present items of building cost which never have been considered elements of security value.

Sale of This Giant Structure Was Biggest Real Estate Deal of Year



The City Investing Building, on lower Broadway, is regarded the largest and most valuable improved property which changed hands during the year. A price said to be in excess of $10,000,000 was paid for the big office structure, the hobby of Robert E. Dowling, by G. Benenson, chairman of the Russian and English Bank.

Realty Back to Its Own After Years of Depression

Expert Tells of Present Condition of Market Compared With the Old. He Declares That Real Estate as Investment Has Come Back to Stay

By Emil Leitner

Secretary Leitner, Brener & Starr

Real estate has come back into its own after years of trouble and anxiety on the part of owners. Present conditions as compared with even those of former good times are so different that there need be no fear of a return to the depressed conditions as they existed up to a few years ago.

In order fully to understand these new conditions they should be compared with those of times gone by, so that it may be better realized that a return to overproduction with the resulting depreciation will be practically impossible for many years.

Previous Real Estate Boom

The last satisfactory real property market started in 1903. The tenement house law had just been changed. Under the new law as then changed the building trades declared a lock-out before building got well under way and building ceased for about eighteen months. In the meantime the demand for apartments had caught up with the supply, and as building showed a good return operators and investors came into the market. Profits were being taken until prices went much beyond cost of production and building was excessively stimulated because builders found they could build any number of houses and sell them at a profit before completion and sometimes even from the plans.

When the land boom in 1905 subsided it left a great many people with more vacant property than they could afford to carry and many of them decided to build. In this way they were disposing of the land at cost and at the same time reaping a substantial profit on the buildings. This led to the big building movement which was temporarily halted in 1907.

Sharp competition then started among ingenious real estate operators in an effort to induce builders to buy their vacant property. New operators agreed to take back second mortgages of 50 to 60 per cent of the purchase price of the land, and to subordinate the mortgages to a first mortgage to be raised on the buildings.

Little Capital Needed to Build

This arrangement brought a great many men into the building business because it was bound to appeal to men with a limited amount of capital. The conditions worked out somewhat along the lines illustrated by the following example.

Taking a 50-foot house as a unit, the man could buy two well located lots in the Bronx, for about $12,000. The second mortgage would be about $7,000, and the first mortgage about $36,000. Total $43,000. They would cost about $35,000; land, $12,000; total, $47,000; cash necessary, $4,000 a house.

As the payments to the larger contractors were part cash and part notes, the builder owing notes had more cash in the bank when the job was finished than when he started, provided he had no debts at the beginning. Most of these men were not men of means when they started. If they kept on building they could swing their notes as they went along and for the time being they could live better than they had before, and so they kept on building.

Hardships of the Landlord

We are all familiar with conditions at about 1914—free rents to tenants when moving in, redecorating for them when demanded, and summer concessions occasionally to tenants so that they would not store their furniture while they went to the country. When the war started costs went up, and construction gradually stopped.

There has been practically no building for the last four years, and it is unnecessary to go into details as to the changes in rental conditions. At the prevailing prices the cost of construction has more than doubled; the mortgage loans have not increased. The increased cost means that much more cash investments for the builder. This is only one of the reasons why there is no building activity.

The delay in obtaining material is a serious obstacle; so is the constantly increasing prices of material, the resulting abandoned contracts, the scarcity of mechanics, the slowing down of labor and the resulting loss of time in progressing with the work.

Should prices of material and labor conditions be stabilized so that builders could get a fair idea of the cost, and should they feel that new building operations would be warranted, little betterment would result, because there is a scarcity of mechanics. There are no apprentices in the building trades, and we cannot hope for any immediate improvement in that direction.

An Attractive Investment

Real estate in its present condition offers a better return than any other form of investment, paying three times as much as high class bonds with hardly any more trouble. It is easy to care for, and the control is absolutely in the hands of the owner. The cost of production is a great deal higher than completed buildings can be bought for.

There is no possibility of building on even a moderate scale. With houses 100 per cent rented, tens of thousands of families in desperate need of a suitable place to live, no way of taking care of the natural growth of the city, which is figured at the rate of 35,000 families a year, these are all good reasons why rents and values must go up.

Real estate as an investment has come back, and it is here to stay.

Private St. Entrance to Each Apartment Suite

Innovation for 16-Story Co-operative House To Be Erected on Block Front in Park Ave.

The sixteenth story coöperative apartment which will be erected on the Park Avenue block between Forty-ninth and Fiftieth streets, recently announced in The Tribune, will have a separate street entrance and private elevator to each of the larger apartments, according to announcements made yesterday.

Robert G. Elbert, assistant manager of the McAlpin and Waldorf-Astoria hotels, has been appointed manager of the proposed building and will open offices within the next few days in the Equitable Building, Madison avenue and Forty-fifth Street, so that he can devote all his time to the new enterprise, having severed his connection with the Thirty-fourth Street hotels. Since the announcement of the proposed structure Douglas L. Elliman & Co., agents for the property, have been besieged with inquiries concerning apartments.

The ground floor is to be occupied by the Louis Sherry restaurant, tea rooms, cafes and ballroom, and, it is announced, will supply to tenants men and women servants to any number desired.

Space for Silk Firms

William A. White & Sons have leased for the Manhattan Leasing Company space in the building at 365-367 Broadway, which they have under contract for purchase, to Brown's Shamrock Linens, Inc., Howard Chichester, Bartlett & Heminway Silk Company and Thomas Carter & Sons.

Section VIII—Real Estate

In Section VIII of to-day's Tribune you will find some splendid stories on the remarkable conditions in the local Real Estate Market. You also will find advertised there many unusual opportunities to purchase high class Real Estate for investment or use. Look at Section VIII.